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7-0100.00 ACCOUNTING TECHNIQUES FOR COLUMNAR ACCOUNTING SYSTEMS

The School Accounting Manual presents accounting information in a double-entry accounting system format. Montana school districts are not required to use a double-entry accounting system during the year. However, any accounting system used by a district is required to be sufficient to provide financial information in accordance with GAAP. All school districts must maintain a record of revenues and expenditures.

This section discusses general directions for modifying a cash basis columnar accounting system to record required transactions. The purpose of these directions is to help users of columnar systems in applying accounting procedures which are explained in a double-entry format in the School Accounting Manual. This section does not discuss year-end closing or preparation of the Trustees' Financial Summary. Section 7-0150, "RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM" illustrates most of the transactions the users of a columnar accounting system will record.

The change from cash basis accounting to modified accrual basis (GAAP) accounting should not be difficult for most districts which use columnar systems. Revenue and expenditure accruals will be very rare in smaller districts because most financial activity for the fiscal year will be completed for the district by June 30, so payables and receivables will rarely exist.

The columnar system of accounting generally consists of:

- a. Warrant Journal** — used to record the charge to an expenditure account whenever a warrant is issued. The Warrant Journal for a fund contains columns for warrant information and for each expenditure line item in the budget of the fund. An expenditure is recorded by writing the amount in the appropriate expenditure column. Columns are totalled monthly to reflect total expenditures and disbursements for the month, total expenditures to date, and the amount of budget remaining.
- b. Cash Receipts Journal** — used to record the source of revenue whenever cash is received. The Cash Receipts Journal for a fund contains columns for receipt information and for each type of revenue the district expects the fund to receive. Columns are totalled monthly to reflect total revenues and receipts for the month, total revenue to date, and the amount of estimated revenue remaining to be realized.
- c. Monthly Reconciliation** — used to reconcile cash with the county treasurer's monthly report. Corrections should be recorded as necessary. See section 7-0200, "RECONCILING WITH THE COUNTY TREASURER'S REPORT."

7-0110.00 BASIC PROCEDURES FOR MODIFYING A COLUMNAR ACCOUNTING SYSTEM TO PROVIDE INFORMATION IN ACCORDANCE WITH GAAP

Many districts have used a columnar accounting system for cash basis accounting. With slight modifications, the columnar system may also be used to provide financial information in accordance with GAAP. This section discusses suggested procedures for modifying a cash basis columnar system to enable the district to record transactions which are necessary in accordance with GAAP.

In addition to the revenue and expenditure columns used in a columnar system on the cash basis, five new columns will be needed in the journals to record accruals, encumbrances, prior year adjustments and various other required transactions. Three columns will be added to the Warrant Journal for Payables, Prepaid Expenses, and 892 Prior Period Expenditure Adjustments. Two columns will be added to the Cash Receipts Journal for Receivables and 6100 Prior Period Revenue Adjustments. The use of the additional columns is discussed in sections 7-0130 and 7-0140. Examples of how to use these additional columns are shown in section 7-0150, "RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM."

The cash expenditures paid and cash revenues received during the year will be recorded the same as was done in the past for cash basis accounting. In other words, when a warrant is issued to pay an expenditure, the district will charge the expenditure to an expenditure column in the Warrant Journal. When cash is received for a revenue, the district will credit the revenue to the proper revenue column in the Cash Receipts Journal.

At fiscal year-end, the books will be closed for the year based on the financial position on June 30. To close the books and determine year-end account balances in accordance with GAAP, the district will first determine expenditures and revenues on the cash basis by totalling journal columns. Next, the district will complete the closing and conversion process, which will involve recording any necessary accruals and other adjustments. **The Cash to Accrual Worksheet, which presents a step-by-step method for closing the books at fiscal year-end, will be issued in Spring 1991 and will accompany the Trustees' Financial Summary 1990-91 instructions.** Procedures for closing the books at fiscal year-end are not discussed here.

In the next fiscal year, balances of certain columns in the Warrant Journal and Cash Receipts Journal will be carried forward to become beginning balances on the July books of the new fiscal year. The June 30 balances of the "Payables" and "Prepaid Expenses" columns in the Warrant Journal and the "Receivables" column in the Cash receipts Journal should be carried forward to become July 1 balances in the books of the next fiscal year. When paying expenditure accruals and encumbrances or receiving revenue accruals in July and August, the district should reduce the balances of the "Payables" or "Receivables" columns. The district should reduce the balance of the "Prepaid Expenses" column to record the expiration of prepaid assets recorded in the "Prepaid Expenses" column. Examples of the payment and receipt of accruals and expiration of prepaid expenses are illustrated in section 7-0150, "RECORDING COMMON TRANSACTIONS."

These procedures are discussed in greater detail in the following paragraphs.

7-0120.00 RECORDING CASH REVENUES AND EXPENDITURES

For modified accrual basis, cash revenues and cash expenditures should be recorded during the year in the same manner as was done using cash basis accounting.

Cash revenue received should be recorded by writing the amount in the appropriate revenue source column in the Cash Receipts Journal. For an example of recording cash revenues, see example #1 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Cash expenditures paid should be recorded by writing the warrant amount in the appropriate expenditure column in the Warrant Journal. For an example of recording cash expenditures, see example #2 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

7-0130.00 USING ADDITIONAL COLUMNS TO MODIFY COLUMNAR ACCOUNTING SYSTEM

It is suggested that several columns be added to the revenue and expenditure columns in the journals to record accruals, encumbrances, prior year adjustments and various other transactions required by GAAP.

The following columns should be added to the journals:

Warrant Journal	Payables
	Prepaid Expenses
	892 Prior Period Expenditure Adjustments
Cash Receipts Journal	Receivables
	6100 Prior Period Revenue Adjustments

How to use the additional columns:

Payables: This column in the Warrant Journal is used to record liabilities for expenditure accruals, the fund balance reserve for encumbrances, or the liability for a short-term loan. The balance in this column represents the same transaction as a credit to a liability account (such as 621 Accounts Payable, 661 Accrued Salaries and Benefits, 611 Due to Other Governments, or any 6XX general ledger account code except 680 Deferred Revenue) or to 953 Reserve for Encumbrances on a double-entry accounting system. The balance of the column increases when accruals and encumbrances are recorded. For an example of using the Payable column to record expenditure accruals and encumbrances, see examples #4 and #5 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Prepaid Expenses: This column in the Warrant Journal is used to record payments for certain assets (e.g., prepaid insurance and rent) which will benefit a future period. For example, a payment in February for an annual insurance premium would include coverage for a 5 month period in the current year and a 7 month period in the next fiscal year. The portion applicable to the next fiscal year would be recorded as a prepaid expense. For an example of the use of the Prepaid Expenses column, see examples #15 and #16 in section 7-0150, "RECORDING COMMON TRANSACTIONS." Also see section 5-0700, "PREPAID EXPENSES."

7-0130.00 USING ADDITIONAL COLUMNS TO MODIFY THE COLUMNAR ACCOUNTING SYSTEM (Cont'd)

892 Prior Period Expenditure Adjustments: This column in the Warrant Journal is used to record: (1) A material increase of beginning fund balance because an expenditure amount was under accrued at the previous fiscal year-end; or (2) A material expenditure which should have been recorded as an expenditure in the prior year. The balance of this column at fiscal year-end is reported on the Trustees' Financial Summary as an adjustment which reduces the beginning fund balance of the fund. For an example of the use of this column, see example #6B in section 7-0150, "RECORDING COMMON TRANSACTIONS." Also see section 5-0340, "MATERIAL OVER AND UNDER ACCRUALS," and 5-0360, "PRIOR PERIOD EXPENDITURE ADJUSTMENTS."

Receivables: This column in the Cash Receipts Journal is used to record receivables for revenue accruals. Do not record adjustments or entries to balance sheet accounts 120, 130, 140 or 150 Taxes Receivable in this column. Taxes Receivable are recorded as deferred revenue rather than accrued revenue. For an example of using the Receivables column, see example #3 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

6100 Prior Period Revenue Adjustments: This column in the Cash Receipts Journal is used for recording: (1) Receipt of revenue which should have been recorded as revenue in the prior year; (2) An adjustment for an expenditure accrual or encumbrance which was overstated at the previous year-end; (3) Receipt of a material refund of expenditures paid in a prior year; (4) A voided warrant issued in the prior year; or (5) Payment to refund a material revenue received in a prior year. For examples, see examples #6D, #9, #10B, #10C, and #12 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

7-0140.00 OPENING THE BOOKS FOR A NEW FISCAL YEAR AND RECORDING ACCRUAL RECEIPTS, PAYMENTS, AND EXPIRATION OF PREPAID EXPENSES

To open the books for the next fiscal year, the district should carry forward the June 30 balances of certain columns. The fiscal year-end balances of the "Payables" and "Prepaid Expenses" columns in the Warrant Journal and the "Receivables" column in the Cash Receipts Journal should be carried forward and recorded as beginning balances of those columns in the July books for the next fiscal year. Other columns begin the year with a zero balance.

In July and August, the district will pay the expenditure accruals and encumbrances and will receive cash for the revenues accrued. During the year, the district will also adjust the prepaid expenses as discussed below.

Payment of Expenditure Accruals and Encumbrances: The payment for an accrual or encumbrance should be subtracted from the balance of the "Payables" column. See example #6 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Receipt of Revenue Accruals: The receipt for a revenue accrual should be subtracted from the balance of the Receivables column. See example #10 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Adjustment of Prepaid Expenses: As the amount of prepayment is used up over time, the balance of the "Prepaid Expenses" column should be reduced and the amount of payment applicable to the current year should be recorded as an expenditure. See example #16 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

After expenditure accruals and encumbrances are paid and revenue accruals are received in July and August, the "Payables" and "Receivables" columns will probably not be needed until the next June.

7-0150.00 RECORDING COMMON TRANSACTIONS USING COLUMNAR ACCTG SYSTEM

The following examples suggest procedures for recording common transactions. **Transaction numbers on this page match transactions illustrated on the Warrant Journal and Cash Receipts Journal on pages 7-0100-13 through 7-0100-16.**

EXAMPLES

1. RECEIPT OF CASH REVENUES

Write the source of cash in the "Received From" column and the amount in the "Amount of Receipt" column in the Cash Receipts Journal. Write the amount in the appropriate revenue account column.

For example, assume the district receive \$3,700 for Real Property Taxes collected in a month. (See **#1** on page 7-0100-15.)

2. PAYMENT FOR GOODS/SERVICES RECEIVED IN THE CURRENT YEAR

In the Warrant Journal, write the payee and amount of the warrant. Write the amount in the appropriate expenditure account column.

For example, assume the district issued a warrant for \$1,000 to pay a teacher's salary for September. (See **#2** on page 7-0100-15.)

3. ACCRUAL OF REVENUE AT FISCAL YEAR-END

In the Cash Receipts Journal, explain the accrual in the "Received From" column. Write the amount in the appropriate revenue account column and in the "Receivables" column.

For example, assume at June 30 the district had not received \$500 of tuition owed from another district. The amount due should be accrued as tuition revenue and a receivable at the end of the fiscal year. (See **#3** on page 7-0100-15.)

4. ACCRUAL OF EXPENDITURES AT FISCAL YEAR-END

In the Warrant Journal, explain the accrual in the "Payee" column. Write the amount in the appropriate expenditure account column and add it to the "Payables" column.

For example, assume at June 30 the district had received textbooks but had not paid the invoice for \$5,200. (See **#4** on page 7-0100-13.)

5. RECORD ENCUMBRANCES AT FISCAL YEAR-END

In the Warrant Journal, explain the encumbrance in the "Payee" column. NOTE: IDENTIFY THE TRANSACTION IN THE "PAYEE" COLUMN AS AN ENCUMBRANCE; ENCUMBRANCES MUST BE SEPARATELY IDENTIFIABLE FROM EXPENDITURE ACCRUALS SO THAT THE PERSON PREPARING FINANCIAL STATEMENTS CAN REPORT PROPERLY IN ACCORDANCE WITH GAAP. Write the amount in the appropriate expenditure column and add it to the "Payables" column.

For example, assume the district had a \$450 purchase order for supplies ordered but not received by June 30. The district records an encumbrance at fiscal year-end. (See **#5** on page 7-0100-13.)

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd)

6. PAYMENT OF AN EXPENDITURE ACCRUAL OR ENCUMBRANCE IN NEXT FISCAL YEAR

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount in the "Amount of Warrant" column and subtract it from the "Payables" column. Do not use an expenditure column.

For example, assume the district had accrued an expenditure for \$250 for the June utility bill, which was not paid by June 30. The district issues a warrant for \$250 in July. (See **#6** on page 7-0100-13.)

If the accrual/encumbrance amount is not the same as the amount paid, see examples #6A through 6D.

6A. PAYMENT OF AN IMMATERIAL UNDER ACCRUAL OF EXPENDITURES (OR ENCUMBRANCES)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Charge the difference between the warrant and the accrued or encumbered amount to an appropriate current expenditure column.

For example, assume the district accrued \$750 at fiscal year-end for supplies received in June but not paid for by June 30. The accrual amount did not properly include \$5 for freight charges included on the invoice. The district issues a warrant for \$755 to pay the invoice. (See **#6A** on page 7-0100-13.)

Accrued/encumbered	\$750	(Subtract from "Payable" column)
Invoice	755	(Pay warrant)
Difference	(\$ 5)	(Charge to an appropriate expenditure account)

6B. PAYMENT OF A MATERIAL UNDER ACCRUAL OF EXPENDITURES (OR ENCUMBRANCES)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Charge the difference between the warrant and the accrued or encumbered amount to the 892 Prior Period Expenditure Adjustments column. Charges to this expenditure account must be within the total budget for the fund. A line item budget transfer may be necessary.

For example, assume the district accrued \$5,000 at fiscal year-end for equipment received but not paid for by June 30. The invoice amount was actually \$15,000 but the initial "1" was omitted in error. The district issues a warrant for \$15,000. (See **#6B** on page 7-0100-13.)

Accrued/encumbered	\$ 5,000	(Subtract from "Payable" column)
Invoice	15,000	(Pay warrant)
Difference	(\$10,000)	(Charge to exp. object 892 Prior Period Expend. Adj.)

**7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING
SYSTEM (Cont'd)**

6C. PAYMENT OF AN IMMATERIAL OVER ACCRUAL OF EXPENDITURES (OR OVER ENCUMBRANCE)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Record the difference between the warrant and the accrued or encumbered amount as 1900 Miscellaneous Revenue. (NOTE: This is not actual revenue, but the reduction of the accrual or encumbrance is recorded as revenue to record the increased resources available because the accrual/encumbrance paid was less than expected. If not recorded as revenue, the adjustment for over accrual would result in an inappropriate and unauthorized increase in budget.) In the Warrant Journal, refer to the entry in the Cash Receipt Journal where the revenue was recorded.

For example, assume the district recorded an expenditure accrual for \$750 for goods received but not paid for by June 30. The invoice arrived after the books were closed. The invoice included a discount, so the amount due was \$745. The district issues a warrant for \$745. (See #6C on page 7-0100-13.)

Accrued/encumbered	\$750	(Subtract from "Payable" column)
Invoice	745	(Pay warrant)
Difference	\$ 5	(Record as 1900 Miscellaneous Revenue)

6D. PAYMENT FOR A MATERIAL OVER ACCRUAL OF EXPENDITURES (OR OVER ENCUMBRANCE)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Record the difference between the warrant and the accrued or encumbered amount as 6100 Prior Period Revenue Adjustments. (NOTE: The 6100 account is an adjustment to beginning fund balance. The reduction of the accrual or encumbrance is recorded as an adjustment to beginning fund balance because the accrual, if accrued for the correct amount, would have materially reduced the ending fund balance at the previous fiscal year-end.) In the Warrant Journal, refer to the entry in the Cash Receipt Journal where the adjustment to 6100 was recorded.

For example, assume the district accrued \$75,000 for equipment received but not paid for by June 30. The vendor removed a \$60,000 accessory component of the equipment system and does not intend to replace it. He reduced the invoice to \$15,000. The district issues a warrant for \$15,000. (See #6D on page 7-0100-13.)

Accrued/encumbered	\$75,000	(Subtract from "Payable" column)
Invoice	15,000	(Pay warrant)
Difference	\$60,000	(Record as 6100 Prior Period Revenue Adj.)

7. RECEIPT OF REFUND OF AN EXPENDITURE RECORDED IN THE CURRENT YEAR

In the Warrant Journal, subtract the amount received from the "Amount of Warrant" column. Subtract the amount from the expenditure column from which the expenditure was originally paid. This procedure restores budget in the expenditure column. Write a letter to notify the county treasurer the receipt was a refund which restores the budget in the fund.

For example, assume the district paid \$25 for supplies in the current year. The supplies were returned to the vendor, who refunded the payment the same year. (See #7 on page 7-0100-14.)

Year 1 Recorded:	101-100-1000-610	\$25
Year 1 Received refund:		25
		0

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd)

8. RECEIPT OF AN IMMATERIAL REFUND OF AN EXPENDITURE RECORDED IN THE PRIOR YEAR OR VOIDING AN IMMATERIAL WARRANT ISSUED IN THE PRIOR YEAR

Record the amount received as a refund or the amount of the voided warrant using 1900 Miscellaneous Revenue.

For example, assume the district recorded a \$75 supply expenditure. The next fiscal year, the supplies were returned to the vendor, who refunded the payment. The district receives \$75. (See #8 on page 7-0100-15.)

FY 1990-91 Recorded: 101-100-1000-610	\$75	
FY 1991-92 Refunded/Voided:	75	(Record as 1900 Miscellaneous Revenue)
	0	

9. RECEIPT OF MATERIAL REFUND OF AN EXPENDITURE RECORDED IN THE PRIOR YEAR OR VOIDING A MATERIAL WARRANT ISSUED IN THE PRIOR YEAR

Record the amount received as a refund or the amount of the voided warrant using 6100 Prior Period Revenue Adjustments. This account is reported on the Trustees' Report and GAAP Financial Statements as an adjustment of beginning fund balance of the fund.

For example, assume the district paid \$52,000 for a large supply order. In the next year, the supplies were returned to the vendor, who refunded the payment. The district receives \$52,000. (See #9 on page 7-0100-15.)

FY 1990-91 Recorded: 101-100-1000-610	\$52,000	
FY 1991-92 Refunded/Voided:	52,000	(Record as 6100 Prior Period Rev. Adj.)
	0	

10. RECEIVE CASH FOR REVENUE ACCRUED AT THE PREVIOUS YEAR-END

In the Cash Receipts Journal, explain the transaction in the "Received From" column. Identify the revenue accrual being received. Write the amount in the "Amount of Receipt" column, and subtract it from the "Receivables" column. Do not use a revenue column.

For example, assume the district accrued \$100 interest income receivable at fiscal year-end. The district received the \$100 interest payment in July. (See #10 on page 7-0100-15.)

10A. RECEIPT OF CASH FOR A REVENUE ACCRUAL WHICH WAS IMMATERIALLY UNDERACCRUED

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the "Receivables" column. Record the difference between the amount accrued and amount received as an increase in the appropriate current revenue account column.

For example, assume the district accrued \$2,500 of tuition revenue owed to them by another district at fiscal year-end. The cash was received in August. The amount of the accrual had accidentally been recorded too low. The amount received is the correct amount of \$2,575. (See #10A on page 7-0100-15.)

Accrued	\$2,500	(Subtract from "Receivable" column)
Received	2,575	(Record cash received)
Difference	(\$ 75)	(Record using an appropriate revenue column)

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd)

10B. RECEIPT OF CASH FOR A REVENUE ACCRUAL WHICH WAS MATERIALLY UNDERACCRUED

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the "Receivables" column. Record the difference between the amount accrued and amount received as an increase in 6100 Prior Period Revenue Adjustments.

For example, assume the district had accrued \$25,000 of State Equalization Revenue at fiscal year-end. The cash was received in August. The amount of the accrual had accidentally been recorded too low. The amount received is the correct amount of \$2,500. The difference is material to the district's financial activities. (See **#10B** on page 7-0100-15.)

Accrued	\$25,000	(Subtract from "Receivable" column)
Received	2,500	(Record cash received)
Difference	(\$22,500)	(Record using 6100 Prior Year Revenue Adjustments)

10C. RECEIPT OF CASH FOR A REVENUE ACCRUAL WHICH WAS OVERACCRUED

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the balance of the "Receivables" column. Record the difference between the amount received and accrued as a reduction of 6100 Prior Period Revenue Adjustments. The balance of the column is reported as an adjustment of beginning fund balance on the Trustee's Financial Summary and on GAAP financial statements. An immaterial difference may be recorded as a reduction of the appropriate current revenue account column balance.

For example, assume the district accrued \$4,800 of June State Equalization money which was not received by June 30. The amount which should have been accrued was the amount received in July, \$4,750. The difference should be recorded as a negative amount in the 6100 revenue column. (See **#10C** on page 7-0100-15.)

Accrued	\$4,800	(Subtract from "Receivable" column)
Received	4,750	(Record cash received)
Difference	\$ 50	(Record as negative 6100 Prior Year Revenue Adjustment. An immaterial amount may be recorded as negative current revenue.)

11. PAYMENT TO REFUND REVENUE RECORDED IN THE CURRENT YEAR

In the Cash Receipts Journal, subtract the amount from the revenue column where the original receipt was recorded as revenue. Subtract the amount from the "Amount Received" column. Explain the refund in the "Received From" column. Refer to the Warrant Journal and warrant number used to refund the revenue. In the Warrant Journal, write the amount of the payment in the "Amount of Warrant" column.

Explain the refund in the "Payee" column and refer to the Cash Receipts Journal entry which records the reduction of revenue for the refund.

For example, assume the district recorded receipt of \$80 of tuition in the current year. The amount is now refunded because of an overcharge. (See **#11** on page 7-0100-14.)

FY 1990-91 Recorded: 101-1310 Tuition	\$80
FY 1990-91 Refunded by Warrant:	80 (Record as warrant paid, but do not
	0 charge to expenditures. Reduce
	appropriate revenue account.)

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd)

12. PAYMENT TO REFUND REVENUE RECORDED IN THE PRIOR YEAR

In the Warrant Journal, write the amount in the "Amount of Warrant" column. Do not use an expenditure column. Refer to the Cash Receipts Journal entry which will record the revenue adjustment for the refund. In the Cash receipts Journal, write the amount as a negative in the 6100 Prior Period Revenue Adjustments column.

For example, assume the district recorded \$20,000 of State Equalization revenue. In the next year, the district discovers the amount was distributed to the district in error. The amount must be refunded to the state. The district issues a warrant for \$20,000 in September to refund the payment. (See #12 on page 7-0100-16.)

Year 1 Recorded: 101-3110 State Equalization	\$20,000	
Year 2 Refunded by Warrant:	20,000	(Record as warrant paid. Reduce 6100
	0	Prior Period Revenue Adjustments.)

13. RECEIPT OF A DEPOSIT (e.g., Rental Deposit) OR SHORT-TERM LOAN

When money is deposited with or loaned to the district for a period of 12 months or less, the amount is not a revenue to the district. The amount received is a nonrevenue receipt which increases cash and creates a liability, or payable, the district owes to the depositor or loaning authority.

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Explain the transaction and refer to the Warrant Journal entry which will record the payable. In the Warrant Journal, record the amount in the "Payables" column. Explain the transaction in the "Payee" column and refer to the Cash Receipt Journal entry used to record the receipt of the deposit or loan.

For example, assume the district receives a short-term loan from the Board of Investments. The amount of the loan was \$10,000 and it is to be repaid within 12 months. (See #13 on page 7-0100-16.)

14. REPAYMENT OF A DEPOSIT OR SHORT-TERM LOAN

When money received as a deposit or short-term loan is repaid, the district must reduce the payable they recorded when the money was received. Any interest paid to the depositor or loaning authority should be recorded as an expenditure for interest expense.

In the Warrant Journal, write the amount in the "Amount of Warrant" column. Subtract the amount from the "Payables" column.

For example, assume the district issues a \$10,000 warrant to repay the short-term loan recorded in example #13. (See #14 on page 7-0100-14.)

15. PAYMENT FOR PREPAID EXPENSES

In the Warrant Journal, write the amount of the warrant in the "Amount of Warrant" column. Write the amount of payment applicable to the current fiscal year in the appropriate expenditure column. Write the amount of payment applicable to subsequent periods in the "Prepaid Expenses" column.

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd)

For example, assume the district pays an insurance premium in May covering 12 months and costing \$2,400, or \$200 a month. The amount of payment applicable to the current year is the premium cost for May and June. The remainder is applicable to the next fiscal year, so it will be recorded in the "Prepaid Expenses" column. (See **#15** on page 7-0100-14.)

Warrant issued in May for 12 months of insurance	\$2,400
Amount applied this year (\$200 X 2 months)	400
Amount to record in "Prepaid Expense" column	\$2,000

16. EXPIRATION OF PREPAID EXPENSES

If expenses were prepaid, a portion of the payment will apply to benefits (e.g., insurance coverage) received in the next fiscal year. Each year, the district must record the portion used up, or expired, as an expenditure of that year. Generally, the district will adjust the Prepaid Expenses column balance for the expired prepayment amount when recording the payment of the next annual premium.

In the Warrant Journal, explain the transaction in the "Payee" column. Subtract the amount of the prepayment which applied to the current year from the "Prepaid Expenses" column. Record the amount applicable to the current year in the appropriate expenditure column.

For example, assume the district prepaid \$2,400 for a 12 month insurance premium in May. The portion of the payment applicable to the year of payment was charged as an expenditure that year. (This entry was recorded in example #15.) In the next year, the remaining 10 month premium applies. In that year, the district must record the 10 month premium used in the current year as an expenditure. (See **#16** on page 7-0100-14.)

Balance of prepaid expense for insurance	\$2,000
Amount applied to current year	2,000
New balance of Prepaid Expenses	0

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7-0150.00 RECORDING COMMON TRANSACTIONS (Cont'd)

WARRANT JOURNAL											
		1	2	3	4	5	6	7	8	9	10
Date* (ex.#)	Payee	Warrant Number	Amount of Warrant	101-100- 1000-112 Salaries	101-100- 1000-610 Supplies	101-100- 1000-640 Textbooks	101-100- 2600-410 Utilities	101-100- 2300-520 Insurance	Payables	Prepaid Expenses	892 Prior Year Expend. Adj.
#2	Cash Expenditure	178	1,000	1,000							
#4	Expenditure Accrual	---	---			5,200			5,200		
#5	Encumbrance	---	---		450				450		
#6	Payment of Accrual	179	250						(250)		
#6A	Payment of Accrual (Immat.Underaccrual)	180	755		5				(750)		
#6B	Payment of Accrual (Mat. Underaccrual)	181	15,000						(5,000)		10,000**
#6C	Payment of Accrual (Immat. Overaccrual)	182	745						(750) Note 1		
#6D	Payment of Accrual (Mat. Overaccrual)	183	15,000						(75,000) Note 2		

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

**** Must fall within total budget of the fund. Budget transfer may be needed.**

Note 1 See Cash Receipts Journal for \$5 difference, which is recorded as 1900 Miscellaneous Revenue.

Note 2 See Cash Receipts Journal for \$60,000 difference, which is recorded using 6100 Prior Period Revenue Adjustments.

7-0150.00 RECORDING COMMON TRANSACTIONS (Cont'd)

WARRANT JOURNAL											
		1	2	3	4	5	6	7	8	9	10
Date* (ex.#)	Payee	Warrant Number	Amount of Warrant	101-100- 1000-112 Salaries	101-100- 1000-610 Supplies	101-100- 1000-640 Textbooks	101-100- 2600-410 Utilities	101-100- 2300-520 Insurance	Payables	Prepaid Expenses	892 Prior Year Expend. Adj.
#7	Refund of Current Year Expenditure	---	(25)		(25)						
#11	Refund paid for Current Year Revenue	184	80 Note 3								
#12	Refund Paid for Prior Year Revenue	185	20,000 Note 5								
#13	Receipt of Short-Term Loan from Board of Investments	---	---						10,000 Note 4		
#14	Repayment of short-Term Loan	186	10,000						(10,000)		
#15	Prepaid Expenses	187	2,400					400		2,000	
#16	Expiration of Prepaid Expenses (this would be recorded in the year the premiums apply.)	---	---					2,000		(2,000)	

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 3 See Cash Receipts Journal; warrant issued for refund of current year revenue.

Note 4 See Cash Receipts Journal receipt number 250.

Note 5 See Cash receipts Journal; warrant issued to refund prior year revenue.

7-0150.00 RECORDING COMMON TRANSACTIONS (Cont'd)

CASH RECEIPTS JOURNAL										
		1	2	3	4	5	6	7	8	9
Date* (ex.#)	Received From	Receipt Number	Amount of Receipt	101-1110 District Levies	101-1310 Tuition	101-1510 interest	101-3110 State Equalization	101-1900 Misc. Revenue	Receivables	6100 Prior Year Revenue Adjustments
#1	Receipt of Cash Revenue	245	3,700	3,700						
#3	Revenue Accrual	---	---		500				500	
#6C	Amount of Underaccrual of Exp.	---	---					5 Note 6		
#6D	Material Overaccrual of Exp.	---	---							60,000
#8	Voided Prior Year Warrant (Immat.)	---	75					75		
#9	Voided Prior Year Warrant (Mat.)	---	52,000							52,000
#10	Receipt of Accrual	246	100						(100)	
#10A	Receipt of Accrued Revenue (Immat. Underaccrual)	247	2,575		75				(2,500)	
#10B	Receipt of Accrued Revenue (Mat. Underaccrual)	248	25,000						(2,500)	22,500
#10C	Receipt of Accrued Revenue (Overaccrual)	249	4,750						(4,800)	50

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 6 See Warrant Journal; warrant #182.

7-0150.00 RECORDING COMMON TRANSACTIONS (Cont'd)

CASH RECEIPTS JOURNAL										
		1	2	3	4	5	6	7	8	9
Date* (ex.#)	Received From	Receipt Number	Amount of Receipt	101-1110 District Levies	101-1310 Tuition	101-1510 interest	101-3110 State Equalization	101-1900 Misc. Revenue	Receivables	6100 Prior Year Revenue Adjustments
#11	Refunded Current Year Revenue	---	(80)		(80) Note 7					
#12	Refunded Prior Year Revenue	---	---							(20,000) Note 8
#13	Receipt of Proceeds of Short-Term Loan	251	10,000 Note 9							

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 7 Refunded tuition revenue recorded in the current year. See warrant #184.

Note 8 Refunded prior year State Equalization revenue distributed to the district in error. See warrant #185.

Note 9 See Warrant Journal (Note 4) for record of payable created when the short-term loan was received.

7-0160.00 ESTABLISHING THE GENERAL FIXED ASSET ACCOUNT GROUP FOR COLUMNAR ACCOUNTING SYSTEM

Refer to Section 5-1200 for more information regarding fixed assets.

1. **Establish a beginning fixed asset inventory amount on your records.** Prepare fixed asset ledgers based on a physical inventory count.

Assume the fixed asset inventory count is:

Asset	Purchased By	Cost or Estimated Cost
Land	General Fund	\$100,000
Building	General Fund	\$200,000
Equipment	State Grant	\$ 50,000
Total Fixed Assets		\$350,000
		=====

If you had a double entry system, you would record:
General Fixed Asset Account Group (98)

Debit: 311	Land	\$100,000
Debit: 331	Buildings and Building Improvements	\$200,000
Debit: 341	Machinery and Equipment	\$50,000
Credit: 911	Investment in General Fixed Assets —General Fund	\$300,000
Credit: 914	Investment in General Fixed Assets — State and Local Grants	\$50,000

Since your system does not have debits and credits, enter the asset values on the worksheet on page 7-0100-19. Offset each asset value with an entry in an Investment in Fixed Assets account on the worksheet. Total fixed assets must equal the total of the Investment accounts.

2. **If you buy a fixed asset:**

For example, assume your Transportation Fund purchases a bus. If you had a double entry accounting system, you would record:

Transportation Fund (10)	
Debit: 802	Expenditures
Credit: 620 or 101	
	\$75,000
	Warrants Payable or Cash \$75,000

Expenditures Subsidiary Ledger	
X10-100-2700-730 New Equipment	\$75,000

General Fixed Asset Account Group (98)	
Debit: 341	Machinery and Equipment
Credit: 912	Investment in General Fixed Assets —Spec. Rev. Funds
	\$75,000
	\$75,000

Since you don't have debits and credits, enter the expenditure on your columnar system as usual. Enter the fixed asset cost on the worksheet under additions and enter an equal amount under the appropriate Investment in General Fixed Asset account. Remember to prepare a fixed asset ledger for the new asset.

7-0160.00 ESTABLISHING THE GENERAL FIXED ASSET ACCOUNT GROUP FOR COLUMNAR ACCOUNTING SYSTEM (cont'd)

3. If you dispose of an asset:

Sale— For example, assume equipment which cost \$25,000 is sold for \$20,000 and proceeds will go to the General Fund.

If you had a double entry system, you would record:

General Fund (01)

Debit: 101	Cash	\$20,000
------------	------	----------

Credit: 402	Revenue	\$20,000
-------------	---------	----------

Revenue Subsidiary Ledger

X01-5200	Sale of or Compensation for Loss of Fixed Assets	\$20,000
----------	--	----------

(To record the receipt of cash proceeds from the sale of a fixed asset.)

General Fixed Asset Account Group (98)

Debit: 914	Investment in Fixed Assets—State and Local Grants	\$25,000
------------	---	----------

Credit: 341	Machinery and Equipment	\$25,000
-------------	-------------------------	----------

(To remove the cost of the asset from the GFAAG.)

On a columnar system, you will probably not have a separate column for this revenue. Prepare a journal voucher to show receipt of the proceeds of the sale. Remove the equipment from the General Fixed Asset Account Group by recording the asset cost in the deduction column. Also record the cost of the asset in the appropriate Investment in Fixed Assets account under deductions. On the fixed asset ledgers, note that the asset was sold.

Retirement of Asset—Assume the asset is worn out and no longer useable. On a double entry system, you would remove the asset cost from the GFAAG as shown in the entry above. On a columnar system, remove the equipment from the General Fixed Asset Account Group by recording the asset cost in the deduction column. Also record the cost of the asset in the appropriate Investment in Fixed Assets account under deductions. On the fixed asset ledgers, note that the asset was retired.

7-0170.00 ESTABLISHING THE GENERAL FIXED ASSET ACCOUNT GROUP FOR COLUMNAR ACCOUNTING (Cont'd)

SCHOOL DISTRICT _____ SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS FOR FISCAL YEAR ENDING _____				
GENERAL FIXED ASSETS:	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
311 LAND				
321 LAND IMPROVEMENTS				
331 BUILDING AND BUILDING IMPROVEMENTS				
341 MACHINERY AND EQUIPMENT				
351 CONSTRUCTION IN PROGRESS (CLOSED TO 321 & 331 ABOVE UPON COMPLETION)				
TOTAL GENERAL FIXED ASSETS				

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE				
911 INVESTMENT IN GENERAL FIXED ASSETS - GENERAL FUND				
912 INVESTMENT IN GENERAL FIXED ASSETS - SPECIAL REVENUE FUNDS				
913 INVESTMENT IN GENERAL FIXED ASSETS - FEDERAL GRANTS				
914 INVESTMENT IN GENERAL FIXED ASSETS - STATE AND LOCAL GRANTS				
915 INVESTMENT IN GENERAL FIXED ASSETS - BOND ISSUES & BUILDING LEVIES				
916 INVESTMENT IN GENERAL FIXED ASSETS - PRIVATE GIFTS				
917 INVESTMENT IN GENERAL FIXED ASSETS - OTHER (SPECIFY)				
918 INVESTMENT IN GENERAL FIXED ASSETS - BEFORE _____ (YEAR)				
TOTAL INVESTMENT IN GENERAL FIXED ASSETS				

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7-0170.00 ESTABLISHING THE GENERAL LONG-TERM DEBT ACCOUNT GROUP FOR COLUMNAR ACCOUNTING SYSTEM

Refer to Section 5-1300 for more information regarding long-term debt.

1. **Establish the beginning liability account balance on your records.** For example, assume you have calculated the long-term liabilities of the district as follows:

Liability	Amount	
Bonds Payable	\$100,000	Amount available in Debt Service Fund, \$25,000
Compensated Absences	\$ 25,000	Amount available in Sick Leave Reserve Fund, \$15,000

If you had a double entry accounting system, you would record:

General Long-Term Debt Account Group (99)

Debit: 403	Amount available in Debt Service and Sick Leave Reserve Fund	\$40,000
Debit: 404	Amount to be provided for retirement of long-term debt	\$75,000
Debit: 405	Amount to be provided for compensated absences	\$10,000
Credit: 710	Bonds Payable	\$100,000
Credit: 760	Compensated Absences Liability	\$25,000

On a columnar system, fill in the amounts from the entry above on the worksheet on page 7-0100-21 in the beginning balance column. The total amount available and to be provided must equal the total long-term liabilities.

2. **Pay a liability.** For example, assume the district pays a \$25,000 bond payment. On a double entry system, you would record the payment from the fund which you drew the warrant.

General Long-Term Debt Account Group (99)

Debit: 710	Bonds Payable	\$25,000
Credit: 403	Amount Available in the Debt Service and Sick Leave Reserve Funds	\$25,000

On a columnar system, record the payment of the warrant as usual. Also record amounts from the entry above in the deductions column of the worksheet.

3. **Add a liability or increase an existing liability.** For example, assume at year-end you calculate the compensated absence liability and it is now \$25,500. On a double entry system, you would record:

General Long-term Debt Account Group (99)

Debit: 405	Amount to be provided for compensated	\$5,000
Credit: 760	Compensated Absences Liability	\$5,000

On a columnar system, record the amounts in the entry above in the additions column of the worksheet.

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7-0170.00 ESTABLISHING GENERAL LONG-TERM DEBT ACCOUNT GROUP FOR COLUMNAR ACCOUNTING SYSTEM (Cont'd)

SCHOOL DISTRICT _____ SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS FOR FISCAL YEAR ENDING _____					
	AMOUNT AVAILABLE AND AMOUNT TO BE PROVIDED:	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
403	AMOUNT AVAILABLE IN DEBT SERVICE AND COMPENSATED ABSENCE FUNDS				
404	AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT				
405	AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES				
406	AMOUNT TO BE PROVIDED FOR OTHER LONG-TERM DEBT				
	TOTAL AMOUNT AVAILABLE AND AMOUNT TO BE PROVIDED				

LONG-TERM LIABILITIES					
710	BONDS PAYABLE				
720	NOTES PAYABLE				
730	LEASE OBLIGATIONS				
740	CONTRACTS PAYABLE				
750	JUDGEMENTS PAYABLE				
760	COMPENSATED ABSENCES PAYABLE				
	TOTAL LONG-TERM LIABILITIES				

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7-0200.00 RECONCILING WITH THE COUNTY TREASURER

A school district must compare and balance certain district accounting records with reports provided by the county treasurer. Each month, the district must reconcile ending cash, investments, cash receipts, and cash disbursements for all funds with the county treasurer. Any differences must be documented, and adjustments to the district or county treasurer's records must be made as necessary. (ARM 10.10.501)

The following forms are suggested for use when reconciling the district's records with the county treasurer's records. These formats are not required.

7-210.00 12 MONTH RECONCILIATION SHEET

MONTHLY RECONCILIATION DISTRICT: _____ July 1, _____ to June 30, 20_____ Fund: _____										
Month	Beginning Balance	Receipts	Warrants Issued or		budget Restorations	Net Disbursements	Clerk s Blanace	County Treasurer s Balance	Outstanding LWarrants/Adj-ustments	Clerk s Balance
			Transfer to Claims Fund	Transfer to Payroll Fund						
July										
August										
September										
October										
November										
December										
January										
February										
March										
April										
May										
June										
TOTAL										
Footnotes: _____										

7-220.00 MULTIPLE FUND MONTHLY RECONCILIATION SHEET

MONTHLY RECONCILIATION SHEET Month _____, 20____			
FUND: _____		Clerk s Books	
Beginning Balance		\$ _____	
Add Receipts for period		\$ _____	
TOTAL		\$ _____	
Less Month s Disbursements		\$ _____	
ENDING BALANCE		\$ _____	
OUTSTANDING WARRANT LIST			
Warrant #	Amount	Warrant #	Amount
	\$ _____		\$ _____
	\$ _____		\$ _____
FUND: _____		Treasurer s Books	
Beginning Balance		State Balance	
Add Receipts for period		\$ _____	
TOTAL		\$ _____	
Less Month s Disbursements		Less Outstanding Warrants	
ENDING BALANCE		\$ _____	
OUTSTANDING WARRANT LIST			
Warrant #	Amount	Warrant #	Amount
	\$ _____		\$ _____
	\$ _____		\$ _____
FUND: _____		Treasurer s Books	
Beginning Balance		State Balance	
Add Receipts for period		\$ _____	
TOTAL		\$ _____	
Less Month s Disbursements		Less Outstanding Warrants	
ENDING BALANCE		\$ _____	
OUTSTANDING WARRANT LIST			
Warrant #	Amount	Warrant #	Amount
	\$ _____		\$ _____
	\$ _____		\$ _____

7-230.00 OUTSTANDING WARRANT LISTING

OUTSTANDING WARRANT LIST

Month _____, 20____

Fund _____

Last Month's Outstanding Warrants	\$
Less: Void Warrants From Lat Month	\$
Add: Credit Adjustments (e.g., Increase)	\$
Add: Warrants issued During the Month	\$
TOTAL	\$
Less: Warrants Redeemed During the Month	\$
Less: Debit Adjustments (e.g., Decrease)	\$
This Month's Outstanding Warrants	\$

LIST OF THIS MONTH'S OUTSTANDING WARRANTS

[illegible]